

Illinois Real Estate Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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SAMPLE

Questions

- 1. What does it mean when a building is inadvertently built on another person's land?**
 - A. Area Preference**
 - B. Encroachment**
 - C. Fixtures**
 - D. Personal easement in gross**
- 2. If a three flat has rents totaling \$500 per month and the Gross Rent Multiplier (GRM) is 120, what is the value of the property?**
 - A. \$1,200,000**
 - B. \$400,000**
 - C. \$540,000**
 - D. \$450,000**
- 3. Which lease involves paying a set charge in the monthly lease?**
 - A. Net Lease**
 - B. Gross Lease**
 - C. Sublease**
 - D. Triple Net Lease**
- 4. In a percentage lease, what do you pay in addition to a monthly base amount?**
 - A. A percentage of the landlord's expenses**
 - B. A percentage of your gross annual sales**
 - C. A set percentage of the property value**
 - D. A percentage of the total square footage**
- 5. What is the term for the property that benefits from an easement?**
 - A. Dominant Tenement**
 - B. Beneficiary Parcel**
 - C. Servient Estate**
 - D. Main Tenure**

- 6. What kind of estate is characterized by the owner having to pay property taxes and assessments?**
- A. Fixtures**
 - B. Conventional Life Estate**
 - C. Life Estate**
 - D. Fee Simple Estate**
- 7. According to the 1866 Civil Rights Act, discrimination in housing based on what factor is prohibited?**
- A. Religion**
 - B. Sex**
 - C. Race**
 - D. National Origin**
- 8. What is the definition of a graduated lease?**
- A. That provides for a specified rent increase at set future dates**
 - B. Giving a history of the title, including recorded encumbrances against the property**
 - C. Investing profits of the property on behalf of the client**
 - D. Suspending all real estate activities**
- 9. Which appraisal approach is most suitable for vacant land?**
- A. Sales Comparison Approach**
 - B. Income Approach**
 - C. Cost Approach**
 - D. Land Valuation Approach**
- 10. A man wants to sell his property in another state. The agent he hires practices real estate in that state. If the agent makes an offer on the property for herself, the agent should:**
- A. Disclose the change in zoning and the resulting increase in value.**
 - B. Keep the information to herself**
 - C. Conceal the offer from the seller**
 - D. Proceed with the purchase without any notice**

Answers

SAMPLE

- 1. B**
- 2. D**
- 3. B**
- 4. B**
- 5. A**
- 6. C**
- 7. C**
- 8. A**
- 9. A**
- 10. A**

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Explanations

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1. What does it mean when a building is inadvertently built on another person's land?

A. Area Preference

B. Encroachment

C. Fixtures

D. Personal easement in gross

The correct answer is indeed encroachment. Encroachment refers to a situation where a structure, such as a building or fence, extends beyond its owner's property line and intrudes onto the land of a neighboring property owner. This can create a legal issue, as the property owner whose land has been encroached upon may have legal recourse to require the removal of the encroaching structure or to seek compensation. Area preference, on the other hand, pertains to the desirability of a particular location in real estate, reflecting buyers' preferences for certain neighborhoods or regions. Fixtures refer to items that are permanently attached to the property and are generally considered part of the real estate. A personal easement in gross is a right to use someone else's land for a specific purpose but does not imply ownership or intrusion onto another's property. Thus, the concept of encroachment best captures the scenario of a building being inadvertently constructed on another person's land.

2. If a three flat has rents totaling \$500 per month and the Gross Rent Multiplier (GRM) is 120, what is the value of the property?

A. \$1,200,000

B. \$400,000

C. \$540,000

D. \$450,000

To determine the value of the property using the Gross Rent Multiplier (GRM), you first need to calculate the annual gross rent. Since the monthly rents total \$500, the annual gross rent will be \$500 multiplied by 12 months, which equals \$6,000. Once you have the annual gross rent, you can calculate the value of the property by multiplying the total annual gross rent by the GRM. In this case, you multiply the \$6,000 annual rent by the GRM of 120: $\text{Value} = \text{Annual Rent} \times \text{GRM}$ $\text{Value} = 6,000 \times 120 = 720,000$. Since the value calculated does not match the options provided, it seems that understanding of the GRM or monthly income could be in question. However, if there was an intended consistency in the provided data (like identifying multiple properties with different characteristics), or errors in the choices listed, the emphasis should be on understanding the GRM as a key factor in property valuation. The correct answer based on the information indicated would lead to realization that the provided choices may need reevaluation or that additional context about the monthly income across the three flats might be beneficial for determining how the rents aggregate.

3. Which lease involves paying a set charge in the monthly lease?

A. Net Lease

B. Gross Lease

C. Sublease

D. Triple Net Lease

The correct answer is a gross lease. In a gross lease arrangement, the tenant pays a fixed rent amount that covers all operating expenses, including property taxes, insurance, and maintenance. This means that the landlord is responsible for handling these costs and managing the property, which simplifies budgeting for the tenant since they only need to worry about a single monthly payment. In contrast, a net lease typically requires the tenant to pay not only the base rent but also some or all of the additional property expenses, which can vary significantly. A triple net lease is a specific type of net lease where the tenant assumes responsibility for all expenses, including taxes, insurance, and maintenance, which can lead to fluctuating monthly costs. A sublease involves leasing property that a tenant has rented to another party and does not inherently dictate how payments or expenses are handled. Understanding the distinctions between these types of leases is essential for both tenants and landlords when negotiating rental agreements.

4. In a percentage lease, what do you pay in addition to a monthly base amount?

A. A percentage of the landlord's expenses

B. A percentage of your gross annual sales

C. A set percentage of the property value

D. A percentage of the total square footage

In a percentage lease, the tenant pays the landlord a base rent amount plus a percentage of their gross annual sales. This arrangement allows the landlord to benefit directly from the tenant's success and aligns the interests of both parties in driving up sales and ultimately increasing the potential rental income for the landlord. Option B is correct because it accurately describes the additional payment made by the tenant in a percentage lease agreement. Options A, C, and D are incorrect because they do not accurately describe what tenants pay in a percentage lease. In a percentage lease, the amount paid by the tenant is directly tied to the business's performance rather than the landlord's expenses, the property value, or the total square footage of the leased space.

5. What is the term for the property that benefits from an easement?

A. Dominant Tenement

B. Beneficiary Parcel

C. Servient Estate

D. Main Tenure

The correct term for the property that benefits from an easement is indeed "Dominant Tenement." In the context of easements, the dominant tenement is the parcel of land that utilizes the easement to gain access or benefit from the servient estate, which is the property that is burdened by the easement. This relationship highlights the distinction between the two types of properties involved in an easement: while one property allows certain uses or access to be made by another, the dominant tenement is the one that derives advantage from that arrangement. Understanding these terms is fundamental in real estate practice, especially when negotiating or managing property rights involving easements. The other options do not accurately represent the property benefiting from an easement, which further emphasizes the clarity provided by the correct term.

6. What kind of estate is characterized by the owner having to pay property taxes and assessments?

A. Fixtures

B. Conventional Life Estate

C. Life Estate

D. Fee Simple Estate

The correct answer is that a life estate is characterized by the owner having to pay property taxes and assessments. In real estate, a life estate provides the holder with the right to use and occupy a property for the duration of their lifetime. However, since the holder of a life estate is responsible for maintaining the property to some extent, they also bear the obligation of paying property taxes and assessments during their period of ownership. This requirement is essential as it ensures that local governments continue to receive funding through property tax revenue, which is crucial for public services like education, infrastructure, and emergency services. The life tenant's responsibility for these financial obligations reflects their legal interest in the property, even though they do not own it outright in the same sense as someone holding a fee simple estate. In contrast, a fee simple estate represents the highest form of ownership, granting the owner full rights to the property, including the payment of taxes, but not limited to any duration of life. Fixtures relate to personal property that is permanently attached to a building or land and do not directly pertain to real estate ownership obligations. A conventional life estate refers more specifically to a type of life estate that may include limitations or specific conditions, but the broad requirement of paying taxes and assessments primarily relates

7. According to the 1866 Civil Rights Act, discrimination in housing based on what factor is prohibited?

- A. Religion**
- B. Sex**
- C. Race**
- D. National Origin**

The correct answer is that the 1866 Civil Rights Act specifically prohibits discrimination in housing based on race. This landmark legislation was enacted to ensure that all citizens, regardless of their race, had the right to buy, sell, and lease property. It marked a significant step in civil rights history by addressing and outlawing racial discrimination in real estate transactions, setting a legal precedent for future laws aimed at promoting equality in housing. While discrimination based on religion, sex, and national origin is addressed in subsequent legislation, such as the Fair Housing Act of 1968, the 1866 Civil Rights Act solely focused on race. This foundational aspect of civil rights law continues to influence housing equality today, reinforcing the importance of combating racial discrimination in housing markets.

8. What is the definition of a graduated lease?

- A. That provides for a specified rent increase at set future dates**
- B. Giving a history of the title, including recorded encumbrances against the property**
- C. Investing profits of the property on behalf of the client**
- D. Suspending all real estate activities**

A graduated lease is a type of lease agreement that includes clauses specifying rent increases at predetermined future dates. This gradual increase in rent over time is often predetermined and agreed upon by both the landlord and tenant at the beginning of the lease term. This structure allows for rent to increase in a predictable and scheduled manner, providing both parties with clarity on future rental costs. In contrast, the other options (B, C, and D) do not accurately define a graduated lease and are unrelated to this type of lease agreement.

9. Which appraisal approach is most suitable for vacant land?

A. Sales Comparison Approach

B. Income Approach

C. Cost Approach

D. Land Valuation Approach

The Sales Comparison Approach is indeed the most suitable appraisal method for vacant land. This approach focuses on comparing the subject property to similar properties that have recently sold in the same area, also known as comparables. Since vacant land does not generate income, this method allows appraisers to establish a market value based on what buyers are willing to pay for similar parcels in the vicinity. This approach provides an accurate reflection of the market conditions and buyer preferences, which are particularly vital when assessing land. It is a direct measure of value based on actual sales data, making it very relevant for parcels without existing structures or income-generating potential. While the other methods can provide valuable insights in different contexts, they are not as effective for valuing vacant land. The Income Approach is generally used for income-producing properties, while the Cost Approach is more applicable for properties with improvements. The Land Valuation Approach, although it sounds relevant, is less commonly recognized as a standalone method compared to the established Sales Comparison Approach.

10. A man wants to sell his property in another state. The agent he hires practices real estate in that state. If the agent makes an offer on the property for herself, the agent should:

A. Disclose the change in zoning and the resulting increase in value.

B. Keep the information to herself

C. Conceal the offer from the seller

D. Proceed with the purchase without any notice

The correct answer is that the agent should disclose the change in zoning and the resulting increase in value. In real estate transactions, transparency and honesty are crucial, especially when an agent is acting in a dual capacity - as both an agent for the seller and as a potential buyer. When an agent intends to purchase a property themselves, they have an obligation to inform the seller about any relevant information that may affect the property's value, including changes in zoning laws. Disclosing such information not only demonstrates ethical behavior but also helps to maintain trust between the agent and the seller. Failing to disclose significant changes like zoning could expose the agent to legal liabilities and ethical violations, as it could be perceived as taking advantage of the seller's lack of knowledge regarding the increased value of the property. By providing this information, the agent ensures that the seller is fully informed about the market conditions and can make a well-informed decision regarding the sale of the property. This transparency supports fair practices in real estate and is in accordance with both legal and ethical standards in the industry.